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DCMC-O

DEFENSE LOGISTICS AGENCY
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MAY 7 1998

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)
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ASSISTANT SECRETARY OF THE NAVY (RESEARCH, DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION
THROUGH: DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Single Process Initiative (SPI) Quarterly Report – FY98 Second Quarter

The attached SPI quarterly report is for the second quarter of FY98. This report features information on SPI's strategic focus and activities to increase SPI's impact on civil/military integration efforts. While current SPI statistics can be found in the appendices, a variety of additional SPI data is also available for viewing on our home page (<http://www.dcmc.hq.dla.mil>).

Should you have any questions or concerns regarding information contained in the attached report, please contact Ms. Marialane Schultz, SPI/Block Change Management Team Leader at (703) 767-2471.

TIMOTHY P. MALISHENKO
Major General, USAF
Commander

Attachment

cc:
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***SINGLE PROCESS INITIATIVE
QUARTERLY REPORT***

FY98, Second Quarter

Prepared by
The Defense Contract Management Command
(DCMC)

April 24, 1998

Single Process Initiative (SPI) Quarterly Report
FY98, Second Quarter

Refining SPI

- DoD's Block Change Management Team refining Strategic Plan to position SPI for success
- What's missing?
 - Stronger link to civil/military integration
 - Emphasis on multiple processes across multiple sites
 - Acknowledgement of corporate SPI approaches
- What we're doing?
 - Revise 1998 Objective: *Use SPI as tool to facilitate civil/military integration*
 - Use SPI as enabler for industry consolidations
 - Broaden contractor participation for greater impact
 - Seek opportunities where SPI can enable rapid conversion of whole production lines for combined civil/military use vs. making changes process by process
 - Facilitate corporate approaches to SPI
 - Establish stronger links between DoD's strategic vision and Services/DLA priorities
 - Implement recommendations from Phoenix Acquisition Reform Conference (see page 5)
 - Charter an Integrated Process Team to improve SPI implementation and results

SPI Enables Industry Consolidations

- Industry adjusting to market changes and reforms in acquisition to remain competitive
 - Closing excess facilities; right-sizing workforce
 - Unifying processes across business enterprises
 - Many adopting "design anywhere, build anywhere" philosophy
- Consolidations causing conflicts as product moves from site to site -- Government-approved SPIs at receiving sites may conflict with approved SPIs for incoming product
- To support "design and build anywhere" approaches and consolidation efforts, need to enable receiving sites to apply already approved SPIs to work transferred "interdivisionally" from within corporation
 - Should embrace philosophy of May 16, 1997 Undersecretary of Defense (Acquisition & Technology) (USD (A&T)) guidelines on processing subcontractor SPIs
 - Should not require additional concept papers from primes
- Increases value of SPI as enabler:
 - Allows SPI to foster conversion, consolidation, and modernization efforts
 - Increases potential impact on civil/military integration
- Quick/effective implementation enables industry to meet merger/acquisition cost reduction commitments to DoD

Packaging Breakthrough

- Army/General Electric Aircraft Engines (GEAE) met recently to discuss GEAE's packaging concept paper and the following issues:
 - Implementation of new MIL-STD-2073-1C packaging codes
 - GEAE authority to select packaging material without prior Army approval
- Constructive discussion generated alternative approaches to satisfy concerns of both parties
- Follow-on actions to be completed in early May

PEO/SYSCOM Conference Highlights Benefit of SPI

- Recent PEO/SYSCOM Conference at Ft. Belvoir, VA; Theme: "Reform – The Way Ahead"
- SPI Panel chaired by Major General Timothy P. Malishenko, Commander, Defense Contract Management Command (DCMC)
 - Major General Malishenko provided overview/future of SPI
 - Cited SPI's success; however, time to do more and use SPI as tool to advance civil/military integration
- Panel members from each Service, DCMC and Boeing highlighted specific actions to enhance SPI
 - Example -- Apache Project Manager introduced an FY98 SPI candidate (hardware variability control) with potential for \$18 million savings, \$40 million cost avoidance
 - Industry stressed SPI's value in enhancing business objectives/strategic goals – helps contractors maintain competitive edge
 - SPI enables consolidation efforts/offers opportunities to use best commercial practices -- contractors
 - Effective use of Management Councils essential to SPI success and to strengthen industry partnerships with DoD

Top Ten SPI Cost Reducers

- Quality Systems remains top SPI cost reducing process
- Following table indicates actual and projected returns resulting from modifications implemented under SPI:

Top 10 Cost Reducing Process Types

Process Type	No. of Processes Reporting Cost Data	Combined Cost Avoidance and Negotiated Savings
Quality Systems	45	\$51M
Testing	16	\$42M
Engineering-Configuration	43	\$38M

Management

Top 10 Cost Reducing Process Types

Process Type	No. of Processes Reporting Cost Data	Combined Cost Avoidance and Negotiated Savings
*Business-General	29	\$34M
Logistics – Parts/Material Management	16	\$25M
Manufacturing – Soldering/Welding	35	\$24M
Quality – Multiple Processes	38	\$19M
Business-Earned Value Management System	13	\$16M
Quality-Nonconforming Material/MRB	13	\$15M
Quality-Inspection	14	\$11M

** Business-General includes processes not categorized under any other specific business process type.*

Aerospace Industries Association (AIA) Supplier Management Council (SMC) Conference

- AIA's SMC Conference March 11-13, 1998 in Long Beach, CA
- First such event, attended by over 90 prime/subtier suppliers -- provided neutral forum for resolving issues relating to Acquisition Reform
- DCMC presented overview of SPI goals/objectives and identified subtier issues needing resolution
- 4 working groups formed to discuss first priority supplier issues and second priority prime issues -- SPI included in Group 3 (Acquisition Reform in the Supply Base)
 - SPI singled out -- area where suppliers need advocacy, mentorship, and forum to address problems resulting from SPI implementation
 - Subtier suppliers reported seeing increased process variation in requirements flowed down from primes
 - Want freedom to choose most efficient/effective processes for their operations vice adhering to those imposed by primes
 - Smaller suppliers concerned SPI “too complex” to implement
 - Working group actions:
 - Survey suppliers to identify top barriers to supplier participation -- segregate law/regulation barriers
 - Identify incentives for participation
 - Engage primes to discuss consistent approach for implementing supplier SPIs
- AIA’s SMC to lead efforts to get right players to generate solutions to problems
- DCMC committed to joining AIA in facilitating supplier participation in SPI

Boeing Joint Leadership Council (JLC) Energizes for Change

- Boeing's March 1998 JLC meeting chaired by Mr. A. Mulally, President, Boeing Information, Space, & Defense Systems
- Attendees from Boeing business segments, Defense Contract Audit Agency, DCMC, Service/NASA JLC representatives
- Dr. Paul Kaminski, former USD (A&T), challenged group to go further in SPI
- Primary focus -- how to bring Boeing's strategic Business Competencies and DoD's civil/military integration initiatives into complementary actions
- Will use SPI as a key tool in facilitating change
 - Team formed to analyze "gap" between SPI initiatives submitted/approved, and develop plan for improvement
 - Business unit leads and DCMC Commanders to develop plan to increase high payoff SPIs
- Next meeting – June 1998

SPI -- Not Just For Large Contractors

- AAI Corporation, Hunt Valley, MD, sees benefit in SPI participation
- Mid-size company, employing approximately 1500, with \$180 million/year in sales
- Management Council formed in April 1996 -- top management actively involved
- 22 concept papers submitted, 8 more in the works -- 10 block change modifications issued
- Concept papers include quality system requirements, soldering and printed wiring board fabrication, computer software audits, and engineering drawing practices
- AAI has fully embraced the Single Process Initiative:
 - Highlights SPI within their internal computer bulletin board and prints articles within company newspaper
 - Holds "lunch and learn" sessions in the cafeteria during work hours and awards those that contribute to successful process improvements
- SPI lessons learned:
 - Use Management Council as forum for more than SPI
 - Look for corporate-wide opportunities, ideas with big payoffs
 - Involve suppliers -- Share concepts with others in the industry
- AAI sees SPI as a valuable vehicle to reduce cost of doing business and increase competitiveness

Maximizing SPI Potential

- November 1997 Phoenix, AZ Executive Acquisition Symposium featured workshop on maximizing SPI's potential
- Workshop attended by Senior leadership from both industry and government
- Key challenges include:
 - Need to redefine SPI Mission/Vision
 - Review of transition to performance-based business environment
 - Need to use metrics to emphasize desired results
- After Action Plan developed, workshop recommendations included:
 - Need for USD (A&T) SPI vision statement focusing on:
 - Long term SPI perspective -- Achieving civil/military integration
 - Expanded use of Management Councils
 - Acknowledgement of Corporate SPIs
 - Drive toward performance-based requirements
 - DUSD(Acquisition Reform Office)/DCMC working together to implement recommendations:
 - Vision statement in the works
 - Facilitating corporate approaches to SPI
 - Encouraging use of performance requirements

Summary

- Block Change Management Team revising Strategic Plan to strengthen SPI link to civil/military integration
- SPI useful tool for enabling industry consolidation efforts -- need innovative approaches to maintain momentum
- SPI still growing -- top cost reducing processes help target areas of bigger payoffs
- Broader contractor participation increases value of SPI and impact on civil/military integration -- opportunities exist for mid-size contractors as well as suppliers
- DoD meeting challenge to maximize SPI's potential -- actions underway to implement recommendations from Phoenix Executive Acquisition Symposium

Appendix Index

Appendix	A - Executive Summary
Appendix	B - SPI Demographics

APPENDIX A



SINGLE PROCESS INITIATIVE

Implementation Summary

As of Tuesday, March 31, 1998

Contractor Facilities:	280
Top 200 Corporation Facilities:	153
International Facilities:	7

Total Proposed Process Changes:	1371
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Found Technically Unacceptable:	53
Processes Withdrawn/Disapproved:	243

Total Block Change Modifications:	891
Average days from Submittal to Modification:	131

Total Open:	237
* Total Open Aged Over 120 days:	89

Proposal Development (30 Days)

Total Under Development/Awaiting Initial Acceptance:	15
Total Under Development for More Than 30 Days:	14

Approval (60 days)

Total Under Review for Approval:	121
Disagreements/Problems Escalated:	30
Total Under Review for More Than 60 Days:	52

Modification (30 Days)

Total Awaiting Contract Modification:	101
Total Awaiting Contract Modification for More Than 30 Days:	99

Implementation Results

Amount Negotiated:	\$9,081,179
Estimated Cost Avoidance on Future Contracts:	\$395,303,064

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* Does not include Law/Reg Proposals

Appendix A

APPENDIX B

SPI Demographics by Service and Buying Office

